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Trade Policy Monitoring

Foreign Sales Corporations (FSC) - Update 2004

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Report Highlights:

In October 2004, the European Commission announced its plan to lift sanctions starting January 1, 2005, on a wide range of U.S. exports after President Bush had signed a bill repealing the FSC subsidies. Adoption of the Commission's proposal was expected to be a formality but a blocking minority of EU member states rejected the proposal. Because of the internal dispute, the proposal to lift the sanctions by January 1, 2005, could not be adopted and has been delayed into next year.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
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Foreign Sales Corporations (FSC) – Update

In October 2004, the European Commission announced its plan to lift sanctions starting January 1, 2005, on a wide range of U.S. exports after President Bush had signed a bill repealing the FSC subsidies. Adoption of the Commission's proposal was expected to be a formality but a blocking minority of EU member states (Ireland, Estonia, Germany, U.K., Finland, Sweden, Austria and the Netherlands) rejected the proposal. These member states could not agree on the stipulation in the proposal that sanctions could automatically be re-imposed in 2006. If a WTO dispute settlement panel finds that the new U.S. law repealing the FSC subsidies is not in compliance with WTO rules, the EU would re-impose, as of January 1, 2006, punitive tariffs but at a lower level (60 percent) of the currently authorized retaliatory tariffs. The WTO is expected to come up with a verdict by September 2005.

Because of the internal dispute, the proposal to lift the sanctions by January 1, 2005, could not be adopted and has been delayed into next year. According to information sources, the proposal may be revisited early next year, possibly resulting in the sanctions being lifted retroactively to January 1, 2005. In the meantime, U.S. exports keep facing high tariffs (14 percent in December) and unless the EU member states come to an agreement, the retaliatory tariffs will remain in place.

Visit our website: our website www.useu.be/agri/usda.html provides a broad range of useful information on EU import rules and food laws and allows easy access to USEU reports, trade information and other practical information. More information on FSC and the list of targeted products can be found at www.useu.be/agri/FSC.html. E-mail: AgUSEUBrussels@usda.gov

Related reports from USEU Brussels:

Report Number	Title	Date Released
E34077	FSC – EU to suspend U.S. export sanctions	October 2004
E24040	EU sanctions on U.S. exports in WTO FSC case enter into force on March 1, 2004	March 2004
E23209	EU warns over FSC case	November 2003
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